Davenport & Company

James City County, Virginia

Potential School Debt Analysis



February 2014

James City County, Virginia

Member NYSEIFINRAISIPC

Key Considerations



- Cash flow considerations for Fiscal Year 2016 and beyond.
- Continued compliance with Fiscal Policy Guidelines. The County's Fiscal Policy Guidelines include:
 - Outstanding debt of the County whether general obligation or lease revenue or subject to annual appropriation, shall not exceed 3.0% of the assessed valuation of real property.
 - Annual debt service spending should target 10% or less and shall not exceed 12% of total operating revenues, including revenues allocated to James City County for public education.
 - Outstanding debt of the County whether General Obligation or Lease Revenue or Subject to Annual Appropriation, should target 7.5% or less and shall not exceed 9% of the County's total personal income in any year.

Davenport recommends the County remove the Debt to Personal Income policy. Since the County does not collect income tax, the rating agencies do not include this policy for rating analysis.

- The ten-year payout ratio for all County debt shall target a minimum of 55% of total principal outstanding.

Davenport recommends the County revise the ten-year payout ratio policy from 55% to 60%. This level is more consistent with higher rated AAA credits.

Existing Tax-Supported Debt Overview



	Exisiting	Tax Suppor	rted Debt*	
FY	Principal	Interest	Total	Payout Ratio
2014	\$16,417,326	\$8,561,808	\$24,979,134	8.41%
2015	16,837,695	7,832,444	24,670,139	17.03%
2016	16,922,377	7,111,156	24,033,533	25.69%
2017	14,392,234	6,417,377	20,809,611	33.06%
2018	14,777,271	5,718,082	20,495,353	40.62%
2019	13,572,496	5,052,178	18,624,675	47.57%
2020	12,637,916	4,411,237	17,049,153	54.04%
2021	11,328,538	3,868,525	15,197,063	59.84%
2022	11,362,000	3,363,211	14,725,211	65.66%
2023	10,905,000	2,852,500	13,757,500	71.24%
2024	11,130,000	2,346,175	13,476,175	76.94%
2025	11,355,000	1,822,707	13,177,707	82.75%
2026	11,590,000	1,288,235	12,878,235	88.69%
2027	4,295,000	789,334	5,084,334	90.88%
2028	4,475,000	609,253	5,084,253	93.18%
2029	4,655,000	429,109	5,084,109	95.56%
2030	4,835,000	249,523	5,084,523	98.03%
2031	1,275,000	123,013	1,398,013	98.69%
2032	1,260,000	83,363	1,343,363	99.33%
2033	1,305,000	42,413	1,347,413	100.00%

Existing Tax Supported Debt Service



Current Policy: The ten-year payout ratio for all County debt shall target a minimum of 55% of total principal outstanding.

Recommended Revised Policy: The ten-year payout ratio for all County debt shall target a minimum of 60% of total principal outstanding.

Total \$195,327,854 \$62,971,641 \$258,299,495

*Note: Interest Net of QSCB and BAB Subsidy.

James City County, Virginia Potential School Debt Analysis

Key Assumptions – Scenario 1A



- James City County, Virginia (the "County") is currently in the planning stages for a potential debt issuance for school capital needs (the "Project").
- In order to see the effect of a potential new debt issuance, Davenport analyzed a \$35 million borrowing for the Project.
- At this time, Davenport has assumed the following:
 - Stand alone public market issuance through the Economic Development Authority (i.e. Lease Revenue Credit) in November of 2015;
 - Level debt service with principal amortized over 20 years; and,
 - Estimated current market rates (as of 2/10/2014) plus an additional 1.0% for conservatism.

Impact on Debt Service – Scenario 1A



	Exisiti	ng Tax Supp	orted Debt		Potential	School Deb	t Issuance	Total Existing & Potential Debt			
FY	Principal	Interest	Total	Payout Ratio	Principal	Interest	Total	Principal	Interest	Total	Payout Ratio
1.1	Timeipai	Interest	Total	1 ayout Ratio	Timerpar	Interest	10tai	Timeipai	merest	Total	1 ayout Ratio
2014	\$16,417,326	\$8,561,808	\$24,979,134	8.4%	\$0	\$0	\$0	\$16,417,326	\$8,561,808	\$24,979,134	
2015	16,837,695	7,832,444	24,670,139	17.0%	0	0	0	16,837,695	7,832,444	24,670,139	
2016	16,922,377	7,111,156	24,033,533	25.7%	840,000	882,146	1,722,146	17,762,377	7,993,302	25,755,679	9.0%
2017	14,392,234	6,417,377	20,809,611	33.1%	1,260,000	1,495,450	2,755,450	15,652,234	7,912,827	23,565,061	17.0%
2018	14,777,271	5,718,082	20,495,353	40.6%	1,285,000	1,470,250	2,755,250	16,062,271	7,188,332	23,250,603	25.1%
2019	13,572,496	5,052,178	18,624,675	47.6%	1,310,000	1,444,550	2,754,550	14,882,496	6,496,728	21,379,225	32.7%
2020	12,637,916	4,411,237	17,049,153	54.0%	1,350,000	1,405,250	2,755,250	13,987,916	5,816,487	19,804,403	39.8%
2021	11,328,538	3,868,525	15,197,063	59.8%	1,390,000	1,364,750	2,754,750	12,718,538	5,233,275	17,951,813	46.3%
2022	11,362,000	3,363,211	14,725,211	65.7%	1,430,000	1,323,050	2,753,050	12,792,000	4,686,261	17,478,261	52.8%
2023	10,905,000	2,852,500	13,757,500	71.2%	1,490,000	1,265,850	2,755,850	12,395,000	4,118,350	16,513,350	59.1%
2024	11,130,000	2,346,175	13,476,175	76.9%	1,550,000	1,206,250	2,756,250	12,680,000	3,552,425	16,232,425	65.5%
2025	11,355,000	1,822,707	13,177,707	82.8%	1,610,000	1,144,250	2,754,250	12,965,000	2,966,957	15,931,957	72.1%
2026	11,590,000	1,288,235	12,878,235	88.7%	1,690,000	1,063,750	2,753,750	13,280,000	2,351,985	15,631,985	78.8%
2027	4,295,000	789,334	5,084,334	90.9%	1,775,000	979,250	2,754,250	6,070,000	1,768,584	7,838,584	81.9%
2028	4,475,000	609,253	5,084,253	93.2%	1,865,000	890,500	2,755,500	6,340,000	1,499,753	7,839,753	85.1%
2029	4,655,000	429,109	5,084,109	95.6%	1,960,000	797,250	2,757,250	6,615,000	1,226,359	7,841,359	88.5%
2030	4,835,000	249,523	5,084,523	98.0%	2,055,000	699,250	2,754,250	6,890,000	948,773	7,838,773	92.0%
2031	1,275,000	123,013	1,398,013	98.7%	2,160,000	596,500	2,756,500	3,435,000	719,513	4,154,513	93.7%
2032	1,260,000	83,363	1,343,363	99.3%	2,265,000	488,500	2,753,500	3,525,000	571,863	4,096,863	95.5%
2033	1,305,000	42,413	1,347,413	100.0%	2,380,000	375,250	2,755,250	3,685,000	417,663	4,102,663	97.4%
2034	0	0	0		2,500,000	256,250	2,756,250	2,500,000	256,250	2,756,250	98.7%
2035	0	0	0		2,625,000	131,250	2,756,250	2,625,000	131,250	2,756,250	100.0%
Total	\$195,327,854	\$62,971,641	\$258,299,495		\$34,790,000	\$19,279,546	\$54,069,546	\$230,117,854	\$82,251,187	\$312,369,041	

*Note: Potential school debt All-In TIC estimate is 4.65% and is net of costs of issuance equal to 1.65% of par amount.

Impact on Cash Flow – Scenario 1A

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	D	ebt Servi	ce Fund			
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Beginning Fund Balance	\$15,766,115	\$11,583,529	\$7,104,893	\$3,659,553	(\$73,456)	(\$820,920)
Revenues						
General Fund - Schools	\$18,000,000	\$18,000,000	\$18,800,000	\$19,100,000	\$19,400,000	\$19,700,000
General Fund - Other	2,450,000	2,500,000	2,500,000	3,000,000	3,500,000	4,000,000
	20,450,000	20,500,000	21,300,000	22,100,000	22,900,000	23,700,000
Build America Bonds	\$223,301	\$218,018	\$211,620	\$204,331	\$195,791	\$187,041
Investment Income	20,000	20,000	20,000	20,000	20,000	20,000
	243,301	238,018	231,620	224,331	215,791	207,041
Total Revenues	\$20,693,301	\$20,738,018	\$21,531,620	\$22,324,331	\$23,115,791	\$23,907,041
Expenditures						
Existing Debt Service	\$24,875,887	\$25,216,654	\$24,901,960	\$24,260,194	\$21,032,805	\$20,711,272
Professional Services	0	0	75,000	75,000	75,000	75,000
Projected New Debt Service	<u>0</u>	0	0	1,722,146	2,755,450	2,755,250
Total Expenditures	\$24,875,887	\$25,216,654	\$24,976,960	\$26,057,340	\$23,863,255	\$23,541,522
(Use of) / Addition to Fund Balance	(\$4,182,586)	(\$4,478,636)	(\$3,445,340)	(\$3,733,009)	(\$747,464)	\$365,519
Ending Fund Balance	\$11,583,529	\$7,104,893	\$3,659,553	(\$73,456)	(\$820,920)	(\$455,401)
		Annual Ai	mount Nee <u>ded</u>	FY15-FY18 to	Balance Fund	273,640

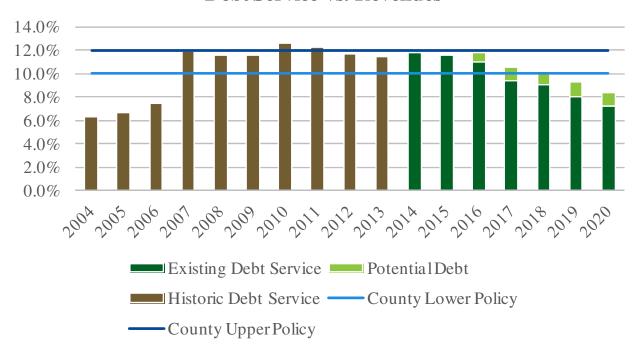
James City County, Virginia

Debt Service vs. Revenues – Scenario 1A



The County's potential debt service expenditures as a percentage of total operating revenues, including revenues allocated to the schools would be just under the County's not to exceed policy of 12% in FY 2016.





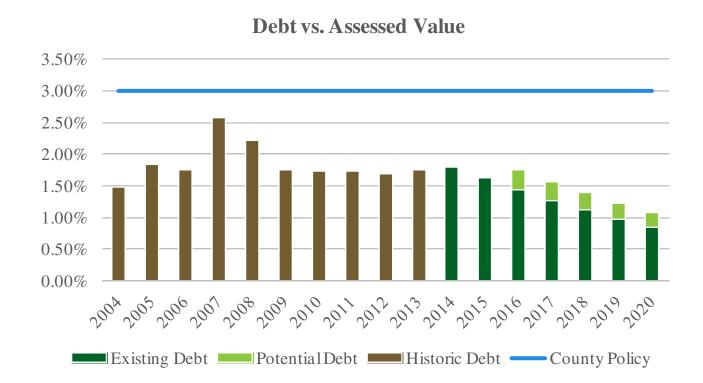
Annual debt service spending should target 10% or less and shall not exceed 12% of total operating revenues, including revenues allocated to James City County for public education.

*Note: Revenues are assumed to grow 1.0% in Fiscal Year 2015 and grow 2.0% annually beginning in Fiscal Year 2016.

Debt vs. Assessed Value – Scenario 1A



The County's potential debt as a percentage of the assessed valuation of real property would be well below the County's policy of 3.0%.



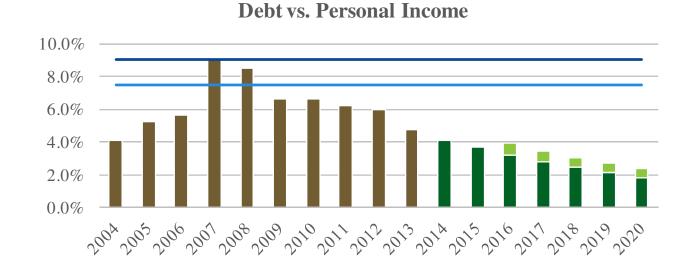
Outstanding debt of the County whether general obligation or lease revenue or subject to annual appropriation, shall not exceed 3.0% of the assessed valuation of <u>real property</u>.

*Note: Assessed Value is assumed to be flat in Fiscal Year 2014, grow 1.0% in Fiscal Year 2015 and grow 2.0% annually beginning in Fiscal Year 2016.

Debt vs. Personal Income – Scenario 1A



The County's potential debt as a percentage of Personal Income would be well below the County's target policy of 7.0%.



Outstanding debt of the County whether General Obligation or Lease Revenue or Subject to Annual Appropriation, should target 7.5% or less and shall not exceed 9% of the County's total personal income in any year.

*Note: Personal Income is assumed to grow 3.0% annually beginning in Fiscal Year 2012 as the most recent Personal Income data is from Fiscal Year 2011.

Existing Debt

Historic Debt

— County Upper Policy

Potential Debt

County Lower Policy

Key Assumptions – Scenario 1B



- Scenario 1B has the same assumptions as Scenario 1A except for the following:
 - An additional \$10 million is borrowed in November of 2014.

James City County, Virginia

Impact on Debt Service – Scenario 1B



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Exisiti	ing Tax Supp	orted Debt	Potential	School Deb	t Issuance	Potential 2	Additional \$	S10 Million	Tota	al Existing &	& Potential D	ebt
FY	Total	Payout Ratio	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Payout Ratio
2014	\$24,979,134	8.4%	\$0	\$0	\$0	\$0	\$0	\$0	\$16,417,326	\$8,561,808	\$24,979,134	
2015	24,670,139	17.0%	0	0	0	245,000	255,792	500,792	17,082,695	8,088,235	25,170,930	
2016	24,033,533	25.7%	840,000	882,146	1,722,146	365,000	433,600	798,600	18,127,377	8,426,902	26,554,279	8.8%
2017	20,809,611	33.1%	1,260,000	1,495,450	2,755,450	375,000	426,300	801,300	16,027,234	8,339,127	24,366,361	16.5%
2018	20,495,353	40.6%	1,285,000	1,470,250	2,755,250	380,000	418,800	798,800	16,442,271	7,607,132	24,049,403	24.5%
2019	18,624,675	47.6%	1,310,000	1,444,550	2,754,550	390,000	407,400	797,400	15,272,496	6,904,128	22,176,625	31.9%
2020	17,049,153	54.0%	1,350,000	1,405,250	2,755,250	405,000	395,700	800,700	14,392,916	6,212,187	20,605,103	38.8%
2021	15,197,063	59.8%	1,390,000	1,364,750	2,754,750	415,000	383,550	798,550	13,133,538	5,616,825	18,750,363	45.2%
2022	14,725,211	65.7%	1,430,000	1,323,050	2,753,050	430,000	366,950	796,950	13,222,000	5,053,211	18,275,211	51.6%
2023	13,757,500	71.2%	1,490,000	1,265,850	2,755,850	450,000	349,750	799,750	12,845,000	4,468,100	17,313,100	57.8%
2024	13,476,175	76.9%	1,550,000	1,206,250	2,756,250	470,000	331,750	801,750	13,150,000	3,884,175	17,034,175	64.2%
2025	13,177,707	82.8%	1,610,000	1,144,250	2,754,250	490,000	308,250	798,250	13,455,000	3,275,207	16,730,207	70.7%
2026	12,878,235	88.7%	1,690,000	1,063,750	2,753,750	515,000	283,750	798,750	13,795,000	2,635,735	16,430,735	77.3%
2027	5,084,334	90.9%	1,775,000	979,250	2,754,250	540,000	258,000	798,000	6,610,000	2,026,584	8,636,584	80.5%
2028	5,084,253	93.2%	1,865,000	890,500	2,755,500	570,000	231,000	801,000	6,910,000	1,730,753	8,640,753	83.9%
2029	5,084,109	95.6%	1,960,000	797,250	2,757,250	595,000	202,500	797,500	7,210,000	1,428,859	8,638,859	87.4%
2030	5,084,523	98.0%	2,055,000	699,250	2,754,250	625,000	172,750	797,750	7,515,000	1,121,523	8,636,523	91.0%
2031	1,398,013	98.7%	2,160,000	596,500	2,756,500	655,000	141,500	796,500	4,090,000	861,013	4,951,013	93.0%
2032	1,343,363	99.3%	2,265,000	488,500	2,753,500	690,000	108,750	798,750	4,215,000	680,613	4,895,613	95.0%
2033	1,347,413	100.0%	2,380,000	375,250	2,755,250	725,000	74,250	799,250	4,410,000	491,913	4,901,913	97.2%
2034	0		2,500,000	256,250	2,756,250	760,000	38,000	798,000	3,260,000	294,250	3,554,250	98.7%
2035	0		2,625,000	131,250	2,756,250	0	0	0	2,625,000	131,250	2,756,250	100.0%
Total	\$258,299,495		\$34,790,000	\$19,279,546	\$54,069,546	\$10,090,000	\$5,588,342	\$15,678,342	\$240,207,854	\$87,839,529	\$328,047,383	

*Note: Potential school debt All-In TIC estimate is 4.65% and is net of costs of issuance equal to 1.65% of par amount. Additional \$10 million All-In TIC estimate is 4.83% and is net of costs of issuance equal to 3.25% of par amount.

Impact on Cash Flow – Scenario 1B



	D	ebt Servi	ce Fund			
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Beginning Fund Balance	\$15,766,115	\$11,583,529	\$7,104,893	\$3,158,761	(\$1,372,848)	(\$2,921,612)
Revenues						
General Fund - Schools	\$18,000,000	\$18,000,000	\$18,800,000	\$19,100,000	\$19,400,000	\$19,700,000
General Fund - Other	2,450,000	2,500,000	2,500,000	3,000,000	3,500,000	4,000,000
	20,450,000	20,500,000	21,300,000	22,100,000	22,900,000	23,700,000
Build America Bonds	\$223,301	\$218,018	\$211,620	\$204,331	\$195,791	\$187,041
Investment Income	20,000	20,000	20,000	20,000	20,000	20,000
	243,301	238,018	231,620	224,331	215,791	207,041
Total Revenues	\$20,693,301	\$20,738,018	\$21,531,620	\$22,324,331	\$23,115,791	\$23,907,041
Expenditures						
Existing Debt Service	\$24,875,887	\$25,216,654	\$24,901,960	\$24,260,194	\$21,032,805	\$20,711,272
Professional Services	0	0	75,000	75,000	75,000	75,000
Projected New Debt Service	<u>0</u>	0	500,792	2,520,746	3,556,750	3,554,050
Total Expenditures	\$24,875,887	\$25,216,654	\$25,477,752	\$26,855,940	\$24,664,555	\$24,340,322
(Use of) / Addition to Fund Balance	(\$4,182,586)	(\$4,478,636)	(\$3,946,132)	(\$4,531,609)	(\$1,548,764)	(\$433,281)
Ending Fund Balance	\$11,583,529	\$7,104,893	\$3,158,761	(\$1,372,848)	(\$2,921,612)	(\$3,354,893)
		Annual A	mount Needed	FY15-FY18 to	Balance Fund	973,871

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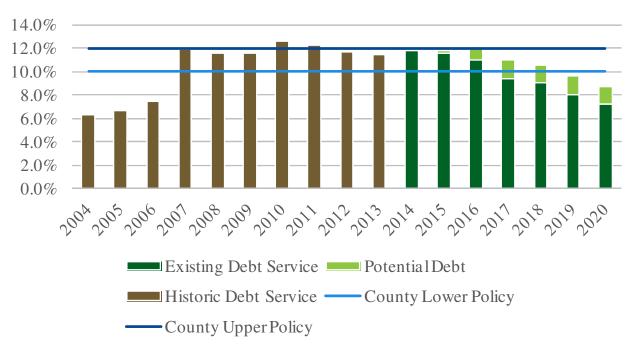
Debt Service vs. Revenues – Scenario 1B



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The County's potential debt service expenditures as a percentage of total operating revenues, including revenues allocated to the schools would be slightly <u>in violation</u> of the County's not to exceed policy of 12% in FY 2016.





Annual debt service spending should target 10% or less and shall not exceed 12% of total operating revenues, including revenues allocated to James City County for public education.

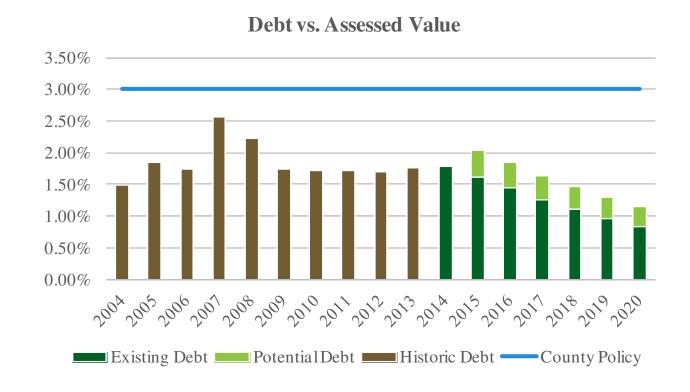
*Note: Revenues are assumed to grow 1.0% in Fiscal Year 2015 and grow 2.0% annually beginning in Fiscal Year 2016.

James City County, Virginia Potential School Debt Analysis

Debt vs. Assessed Value – Scenario 1B



The County's potential debt as a percentage of the assessed valuation of real property would be well below the County's policy of 3.0%.



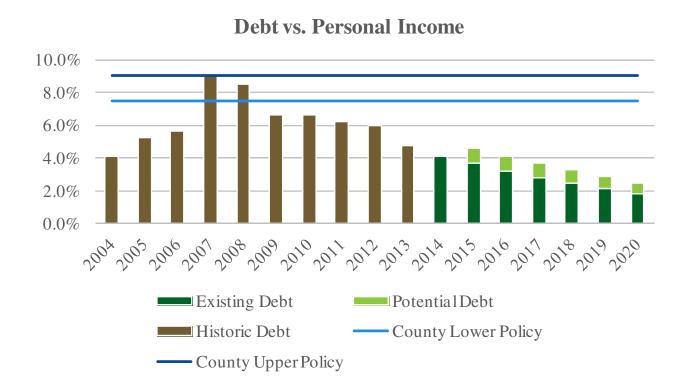
Outstanding debt of the County whether general obligation or lease revenue or subject to annual appropriation, shall not exceed 3.0% of the assessed valuation of **real property**.

*Note: Assessed Value is assumed to be flat in Fiscal Year 2014, grow 1.0% in Fiscal Year 2015 and grow 2.0% annually beginning in Fiscal Year 2016.

Debt vs. Personal Income – Scenario 1B



The County's potential debt as a percentage of Personal Income would be well below the County's target policy of 7.0%.



Outstanding debt of the County whether General Obligation or Lease Revenue or Subject to Annual Appropriation, should target 7.5% or less and shall not exceed 9% of the County's total personal income in any year.

*Note: Personal Income is assumed to grow 3.0% annually beginning in Fiscal Year 2012 as the most recent Personal Income data is from Fiscal Year 2011.

James City County, Virginia Potential School Debt Analysis

Key Assumptions – Scenario 2A



- Scenario 2 has the same assumptions as Scenario 1 except for the following:
 - One year of interest only; and,

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- Level debt service with principal amortized over the remaining 19 years.

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Impact on Debt Service – Scenario 2A



	Exisiti	ng Tax Supp	orted Debt		Potential	School Deb	t Issuance	Tota	al Existing &	& Potential D	ebt
FY	Principal	Interest	Total	Payout Ratio	Principal	Interest	Total	Principal	Interest	Total	Payout Ratio
2014	\$16,417,326	\$8,561,808	\$24,979,134	8.4%	\$0	\$0	\$0	\$16,417,326	\$8,561,808	\$24,979,134	
2015	16,837,695	7,832,444	24,670,139	17.0%	0	0	0	16,837,695	7,832,444	24,670,139	
2016	16,922,377	7,111,156	24,033,533	25.7%	0	893,375	893,375	16,922,377	8,004,531	24,926,908	8.6%
2017	14,392,234	6,417,377	20,809,611	33.1%	1,290,000	1,531,500	2,821,500	15,682,234	7,948,877	23,631,111	16.6%
2018	14,777,271	5,718,082	20,495,353	40.6%	1,315,000	1,505,700	2,820,700	16,092,271	7,223,782	23,316,053	24.7%
2019	13,572,496	5,052,178	18,624,675	47.6%	1,345,000	1,479,400	2,824,400	14,917,496	6,531,578	21,449,075	32.3%
2020	12,637,916	4,411,237	17,049,153	54.0%	1,385,000	1,439,050	2,824,050	14,022,916	5,850,287	19,873,203	39.4%
2021	11,328,538	3,868,525	15,197,063	59.8%	1,425,000	1,397,500	2,822,500	12,753,538	5,266,025	18,019,563	45.9%
2022	11,362,000	3,363,211	14,725,211	65.7%	1,465,000	1,354,750	2,819,750	12,827,000	4,717,961	17,544,961	52.4%
2023	10,905,000	2,852,500	13,757,500	71.2%	1,525,000	1,296,150	2,821,150	12,430,000	4,148,650	16,578,650	58.8%
2024	11,130,000	2,346,175	13,476,175	76.9%	1,585,000	1,235,150	2,820,150	12,715,000	3,581,325	16,296,325	65.2%
2025	11,355,000	1,822,707	13,177,707	82.8%	1,650,000	1,171,750	2,821,750	13,005,000	2,994,457	15,999,457	71.8%
2026	11,590,000	1,288,235	12,878,235	88.7%	1,730,000	1,089,250	2,819,250	13,320,000	2,377,485	15,697,485	78.6%
2027	4,295,000	789,334	5,084,334	90.9%	1,820,000	1,002,750	2,822,750	6,115,000	1,792,084	7,907,084	81.7%
2028	4,475,000	609,253	5,084,253	93.2%	1,910,000	911,750	2,821,750	6,385,000	1,521,003	7,906,003	84.9%
2029	4,655,000	429,109	5,084,109	95.6%	2,005,000	816,250	2,821,250	6,660,000	1,245,359	7,905,359	88.3%
2030	4,835,000	249,523	5,084,523	98.0%	2,105,000	716,000	2,821,000	6,940,000	965,523	7,905,523	91.8%
2031	1,275,000	123,013	1,398,013	98.7%	2,210,000	610,750	2,820,750	3,485,000	733,763	4,218,763	93.6%
2032	1,260,000	83,363	1,343,363	99.3%	2,320,000	500,250	2,820,250	3,580,000	583,613	4,163,613	95.4%
2033	1,305,000	42,413	1,347,413	100.0%	2,440,000	384,250	2,824,250	3,745,000	426,663	4,171,663	97.3%
2034	0	0	0		2,560,000	262,250	2,822,250	2,560,000	262,250	2,822,250	98.6%
2035	0	0	0		2,685,000	134,250	2,819,250	2,685,000	134,250	2,819,250	100.0%
Total	\$195,327,854	\$62,971,641	\$258,299,495		\$34,770,000	\$19,732,075	\$54,502,075	\$230,097,854	\$82,703,716	\$312,801,570	

*Note: Potential school debt All-In TIC estimate is 4.65% and is net of costs of issuance equal to 1.65% of par amount.

Impact on Cash Flow – Scenario 2A



	D	ebt Servi	ce Fund			
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Beginning Fund Balance	\$15,766,115	\$11,583,529	\$7,104,893	\$3,659,553	\$755,315	(\$58,199)
Revenues						
General Fund - Schools	\$18,000,000	\$18,000,000	\$18,800,000	\$19,100,000	\$19,400,000	\$19,700,000
General Fund - Other	2,450,000	2,500,000	2,500,000	3,000,000	3,500,000	4,000,000
	20,450,000	20,500,000	21,300,000	22,100,000	22,900,000	23,700,000
Build America Bonds	\$223,301	\$218,018	\$211,620	\$204,331	\$195,791	\$187,041
Investment Income	20,000	20,000	20,000	20,000	20,000	20,000
	243,301	238,018	231,620	224,331	215,791	207,041
Total Revenues	\$20,693,301	\$20,738,018	\$21,531,620	\$22,324,331	\$23,115,791	\$23,907,041
Expenditures						
Existing Debt Service	\$24,875,887	\$25,216,654	\$24,901,960	\$24,260,194	\$21,032,805	\$20,711,272
Professional Services	0	0	75,000	75,000	75,000	75,000
Projected New Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>893,375</u>	<u>2,821,500</u>	2,820,700
Total Expenditures	\$24,875,887	\$25,216,654	\$24,976,960	\$25,228,569	\$23,929,305	\$23,606,972
(Use of) / Addition to Fund Balance	(\$4,182,586)	(\$4,478,636)	(\$3,445,340)	(\$2,904,238)	(\$813,514)	\$300,069
Ending Fund Balance	\$11,583,529	\$7,104,893	\$3,659,553	\$755,315	(\$58,199)	\$241,870

DAVENPORT & COMPANY Potential School Debt Analysis James City County, Virginia

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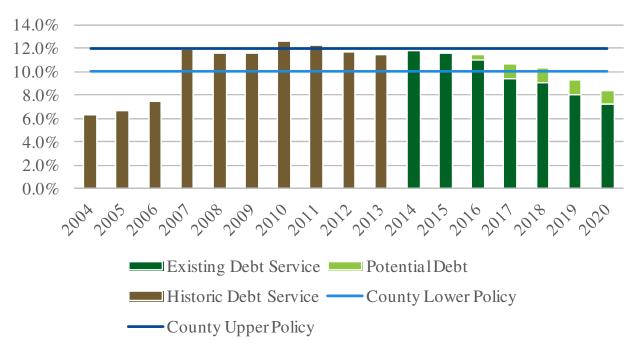
Debt Service vs. Revenues – Scenario 2A



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The County's potential debt service expenditures as a percentage of total operating revenues, including revenues allocated to the schools would be below the County's not to exceed policy of 12% and below the 10% lower policy in FY 2019.





Annual debt service spending should target 10% or less and shall not exceed 12% of total operating revenues, including revenues allocated to James City County for public education.

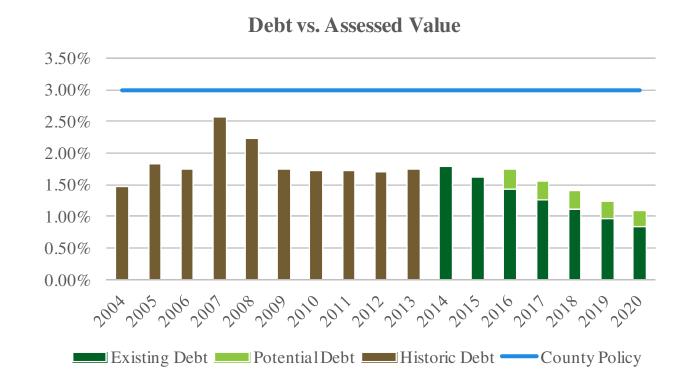
*Note: Revenues are assumed to grow 1.0% in Fiscal Year 2015 and grow 2.0% annually beginning in Fiscal Year 2016.

James City County, Virginia Potential School Debt Analysis

Debt vs. Assessed Value – Scenario 2A



The County's potential debt as a percentage of the assessed valuation of real property would be well below the County's policy of 3.0%.



Outstanding debt of the County whether general obligation or lease revenue or subject to annual appropriation, shall not exceed 3.0% of the assessed valuation of **real property**.

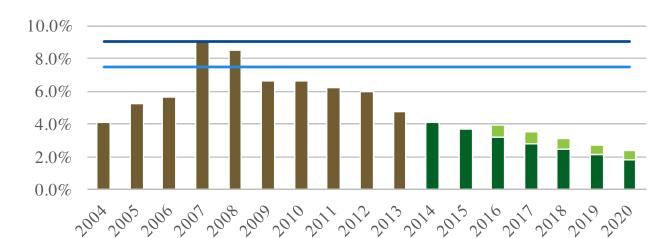
*Note: Assessed Value is assumed to be flat in Fiscal Year 2014, grow 1.0% in Fiscal Year 2015 and grow 2.0% annually beginning in Fiscal Year 2016.

Debt vs. Personal Income – Scenario 2A



The County's potential debt as a percentage of Personal Income would be well below the County's target policy of 7.0%.

Debt vs. Personal Income





Outstanding debt of the County whether General Obligation or Lease Revenue or Subject to Annual Appropriation, should target 7.5% or less and shall not exceed 9% of the County's total personal income in any year.

*Note: Personal Income is assumed to grow 3.0% annually beginning in Fiscal Year 2012 as the most recent Personal Income data is from Fiscal Year 2011.

Key Assumptions – Scenario 2B



- Scenario 2B has the same assumptions as Scenario 2A except for the following:
 - An additional \$10 million is borrowed in November of 2014.

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Impact on Debt Service – Scenario 2B



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Eviciti	ng Tax Supp	orted Debt	Potential	School Deb	t Issuance	Potential	Additional \$	10 Million	Tots	al Evicting 8	& Potential D	eht
FY	Total	Payout Ratio	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Payout Ratio
F 1	Total	Fayout Kano	Fillicipal	Interest	Totai	Fillicipal	Interest	Total	Fillicipal	Interest	Total	Fayout Katio
2014	\$24,979,134	8.4%	\$0	\$0	\$0	\$0	\$0	\$0	\$16,417,326	\$8,561,808	\$24,979,134	
2015	24,670,139	17.0%	0	0	0	245,000	255,792	500,792	17,082,695	8,088,235	25,170,930	
2016	24,033,533	25.7%	0	893,375	893,375	365,000	433,600	798,600	17,287,377	8,438,131	25,725,508	8.4%
2017	20,809,611	33.1%	1,290,000	1,531,500	2,821,500	375,000	426,300	801,300	16,057,234	8,375,177	24,432,411	16.1%
2018	20,495,353	40.6%	1,315,000	1,505,700	2,820,700	380,000	418,800	798,800	16,472,271	7,642,582	24,114,853	24.1%
2019	18,624,675	47.6%	1,345,000	1,479,400	2,824,400	390,000	407,400	797,400	15,307,496	6,938,978	22,246,475	31.5%
2020	17,049,153	54.0%	1,385,000	1,439,050	2,824,050	405,000	395,700	800,700	14,427,916	6,245,987	20,673,903	38.5%
2021	15,197,063	59.8%	1,425,000	1,397,500	2,822,500	415,000	383,550	798,550	13,168,538	5,649,575	18,818,113	44.9%
2022	14,725,211	65.7%	1,465,000	1,354,750	2,819,750	430,000	366,950	796,950	13,257,000	5,084,911	18,341,911	51.3%
2023	13,757,500	71.2%	1,525,000	1,296,150	2,821,150	450,000	349,750	799,750	12,880,000	4,498,400	17,378,400	57.5%
2024	13,476,175	76.9%	1,585,000	1,235,150	2,820,150	470,000	331,750	801,750	13,185,000	3,913,075	17,098,075	63.9%
2025	13,177,707	82.8%	1,650,000	1,171,750	2,821,750	490,000	308,250	798,250	13,495,000	3,302,707	16,797,707	70.4%
2026	12,878,235	88.7%	1,730,000	1.089,250	2,819,250	515,000	283,750	798,750	13,835,000	2,661,235	16,496,235	77.1%
2027	5,084,334	90.9%	1,820,000	1,002,750	2,822,750	540,000	258,000	798,000	6,655,000	2,050,084	8,705,084	80.3%
2028	5,084,253	93.2%	1,910,000	911,750	2,821,750	570,000	231,000	801,000	6,955,000	1,752,003	8,707,003	83.7%
2029	5,084,109	95.6%	2,005,000	816,250	2,821,250	595,000	202,500	797,500	7,255,000	1,447,859	8,702,859	87.2%
2030	5.084.523	98.0%	2,105,000	716,000	2,821,000	625,000	172,750	797,750	7,565,000	1,138,273	8,703,273	90.9%
2031	1,398,013	98.7%	2,210,000	610,750	2,820,750	655,000	141,500	796,500	4,140,000	875,263	5,015,263	92.9%
2032	1,343,363	99.3%	2,320,000	500,250	2,820,250	690,000	108,750	798,750	4,270,000	692,363	4,962,363	94.9%
2033	1,347,413	100.0%	2,440,000	384,250	2,824,250	725,000	74,250	799,250	4,470,000	500,913	4,970,913	97.1%
2034	0		2,560,000	262,250	2,822,250	760,000	38,000	798,000	3,320,000	300,250	3,620,250	98.7%
2035	0		2,685,000	134,250	2,819,250	0	0	0	2,685,000	134,250	2,819,250	100.0%
Total	\$258,299,495		\$34,770,000	\$19,732,075	\$54,502,075	\$10,090,000	\$5,588,342	\$15,678,342	\$240,187,854	\$88,292,058	\$328,479,912	

*Note: Potential school debt All-In TIC estimate is 4.65% and is net of costs of issuance equal to 1.65% of par amount. Additional \$10 million All-In TIC estimate is 4.83% and is net of costs of issuance equal to 3.25% of par amount.

Impact on Cash Flow – Scenario 2B



	D	ebt Servi	ce Fund			
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Beginning Fund Balance	\$15,766,115	\$11,583,529	\$7,104,893	\$3,158,761	(\$544,077)	(\$2,158,891)
Revenues						
General Fund - Schools	\$18,000,000	\$18,000,000	\$18,800,000	\$19,100,000	\$19,400,000	\$19,700,000
General Fund - Other	<u>2,450,000</u>	2,500,000	2,500,000	3,000,000	3,500,000	4,000,000
	20,450,000	20,500,000	21,300,000	22,100,000	22,900,000	23,700,000
Build America Bonds	\$223,301	\$218,018	\$211,620	\$204,331	\$195,791	\$187,041
Investment Income	20,000	20,000	20,000	20,000	20,000	20,000
	243,301	238,018	231,620	224,331	215,791	207,041
Total Revenues	\$20,693,301	\$20,738,018	\$21,531,620	\$22,324,331	\$23,115,791	\$23,907,041
Expenditures						
Existing Debt Service	\$24,875,887	\$25,216,654	\$24,901,960	\$24,260,194	\$21,032,805	\$20,711,272
Professional Services	0	0	75,000	75,000	75,000	75,000
Projected New Debt Service	<u>0</u>	0	500,792	1,691,975	3,622,800	3,619,500
Total Expenditures	\$24,875,887	\$25,216,654	\$25,477,752	\$26,027,169	\$24,730,605	\$24,405,772
(Use of) / Addition to Fund Balance	(\$4,182,586)	(\$4,478,636)	(\$3,946,132)	(\$3,702,838)	(\$1,614,814)	(\$498,731)
Ending Fund Balance	\$11,583,529	\$7,104,893	\$3,158,761	(\$544,077)	(\$2,158,891)	(\$2,657,622)
		Annual A	mount Nee <u>ded</u>	FY15-FY18 to	Balance Fund	719,631

DAVENPORT & COMPANY Potential School Debt Analysis James City County, Virginia

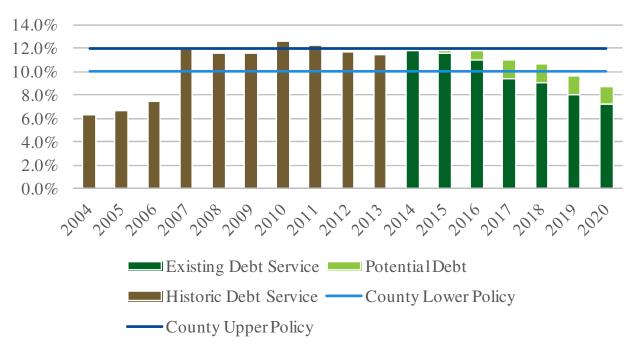
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Debt Service vs. Revenues – Scenario 2B



The County's potential debt service expenditures as a percentage of total operating revenues, including revenues allocated to the schools would be slightly below the County's not to exceed policy of 12% and below the 10% lower policy in FY 2019.





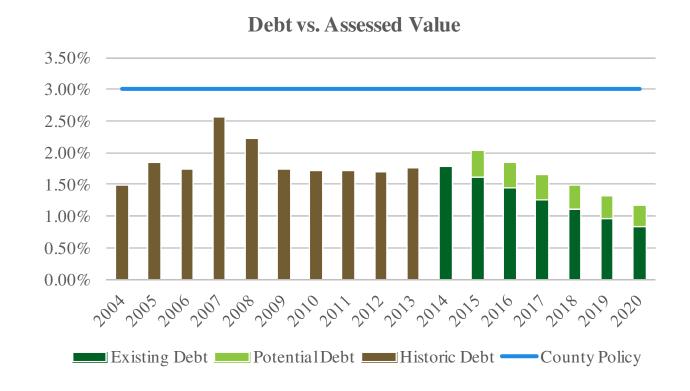
Annual debt service spending should target 10% or less and shall not exceed 12% of total operating revenues, including revenues allocated to James City County for public education.

*Note: Revenues are assumed to grow 1.0% in Fiscal Year 2015 and grow 2.0% annually beginning in Fiscal Year 2016.

Debt vs. Assessed Value – Scenario 2B



The County's potential debt as a percentage of the assessed valuation of real property would be well below the County's policy of 3.0%.



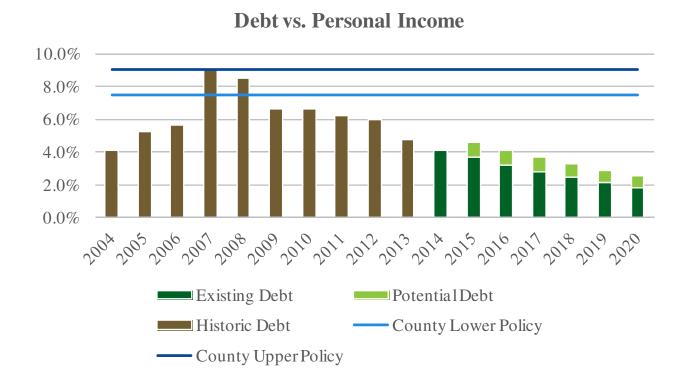
Outstanding debt of the County whether general obligation or lease revenue or subject to annual appropriation, shall not exceed 3.0% of the assessed valuation of <u>real property</u>.

*Note: Assessed Value is assumed to be flat in Fiscal Year 2014, grow 1.0% in Fiscal Year 2015 and grow 2.0% annually beginning in Fiscal Year 2016.

Debt vs. Personal Income – Scenario 2B



The County's potential debt as a percentage of Personal Income would be well below the County's target policy of 7.0%.



Outstanding debt of the County whether General Obligation or Lease Revenue or Subject to Annual Appropriation, should target 7.5% or less and shall not exceed 9% of the County's total personal income in any year.

*Note: Personal Income is assumed to grow 3.0% annually beginning in Fiscal Year 2012 as the most recent Personal Income data is from Fiscal Year 2011.



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Version 01/13/2014 DJG/CR

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